

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 MADRID 002133

SIPDIS

STATE FOR EB/CIP  
USDOC FOR NTIA AND ITA  
FCC FOR INTERNATIONAL

E.O. 12958: N/A

TAGS: [ECPS](#) [EINV](#) [EINT](#) [ETRD](#) [SP](#)

SUBJECT: SPAIN: TELECOM AND INFORMATION TECHNOLOGY  
DEVELOPMENTS

REF: A. MADRID 1673

[1](#)B. MADRID 1562

[1](#)1. This cable summarizes selected developments in the Spain's telecommunications and information technology sectors. In this issue:

- New Ministry of Industry, Tourism and Commerce responsible for telecom issues (para 2)
- Spain's public television under review (para 3)
- New government office to defend telecom users (para 4)
- Telefonica Moviles and Vodafone Espana launch 3G (UMTS) services (para 5)
- Spain's ADSL subscriber base up; Telefonica proposes doubling its ADSL connection speed (para 6)
- Telefonica Moviles continuing Telefonica's increasing influence in Latin America (para 7)

[1](#)2. NEW MINISTRY OF INDUSTRY, TOURISM AND COMMERCE  
RESPONSIBLE FOR TELECOM ISSUES

Telecommunications issues are now primarily the responsibility of Spain's newly formed Ministry of Industry, Commerce and Tourism (Ministry of Industry), headed by Minister Jose Montilla Aguilera, a Catalan who has a reputation for being serious and disciplined. He also remains the secretary general of the Catalan Socialist Party, and has shown that his loyalties to Catalonia (which includes Barcelona) are steadfast (see ref A). In a recent interview Montilla said the GOS is studying the possible consequences of liberalization of telephone rates which the former government had planned for 2005. Montilla demurred to a question about financing of universal service, which industry has been expected to shoulder in the past, by stating that the ministry must first study and define what services should be provided to all of Spain before determining how to fund universal service.

[1](#)3. SPAIN'S PUBLIC TELEVISION STATIONS UNDER REVIEW

With a huge deficit (currently at around 8 billion euros or 9.79 billion dollars) and a reputation as the government propaganda mouthpiece since the 1970s, the possible reform of Spain's publicly-owned television company (RTVE) has been a perennial source of campaign promises during national elections. During his campaign, President Zapatero vowed to create a committee of experts to study the problem. He has already made good on this commitment, establishing a group to come up with recommendations by early 2005. He also has replaced the head of RTVE with Carmen Caffarel, who has been described as an "independent academic." Some of the challenges facing Caffarel and the committee of experts are how to shrink the company's deficit, work with the unions that will fight moves to shrink its 8,000-strong workforce, define the role of public television in Spain, and free RTVE of political influence. State Secretary for Finance Miguel Angel Fernandez Ordonez, who is committed to fiscal restraint (see ref B), recently mentioned that privatization of RTVE was being considered in order to improve the company's finances. Caffarel opposes the privatization but says she intends to make RTVE an independent entity.

[1](#)4. NEW OFFICE TO DEFEND TELECOM USERS

A new Defender of Information and Communication Technologies Users has been established by the Ministry of Industry. This official will have responsibility for addressing citizen complaints regarding Internet connections and mobile telephone contract terms. Complaints for telephone service and Internet connection deficiencies have increased exponentially in the last few years.

[1](#)5. TELEFONICA MOVILES AND VODAFONE ESPANA LAUNCH 3G (UMTS) SERVICES

Both Telefonica Moviles and Vodafone Espana launched 3G (UMTS) services in Spain during the last week of May. Telefonica Moviles, a subsidiary of Group Telefonica, will initially provide UMTS services in Madrid, Barcelona, and other large cities in Spain. Javier Aguilera, CEO of Telefonica Moviles, expects mass usage of UMTS facilities to be a reality by the end of 2005. Between 2003 and 2006, Telefonica Moviles plans to invest 1 billion euros (1.22 billion dollars) to develop its UMTS service. Vodafone

Espana launched its services one day after Telefonica Moviles. While offering services initially to 22 Spanish cities representing 23 percent of the population, Vodafone Espana plans to extend the service to all of the country's provincial capitals by the end of the year. Meanwhile, the GOS is reviewing UMTS licensing agreements to ensure that all four of Spain's UMTS license holders (also Amena and Xfera) establish services and comply with their agreements.

#### 16. SPAIN'S ADSL SUBSCRIBER BASE UP; TELEFONICA PROPOSES DOUBLING ITS CONNECTION SPEED

As of April, Spain had 1.9 million ADSL subscribers. At the current rate, Spain will have 3 million ADSL lines by the end of 2005, according to Spain's Association of Internauts (Internet users). Telefonica's 1.2 million ADSL subscribers may soon benefit from doubling of connection speed at no extra charge if CMT, Spain's telecom regulatory body, authorizes the proposed plans. This will involve an investment by Telefonica of as much as 100 million euros (1.22 billion dollars). COMMENT: An intriguing aspect of the proposed promotion is how it challenges Telefonica's competitors: Telefonica owns virtually all of the fixed-line infrastructure in Spain and is required to provide its competitors access to its network. Regulations prohibit Telefonica from differentiating its competitor-clients from its other clients when upgrading this type of service. So the added speed will be passed on to Terra, Wanadoo, Tiscali, Ya.Com, etc. for no extra charge. However, these competitors would need to incur some unanticipated investment costs to pass the increased speed on to their retail clients. Although not required by regulation to benefit their clients with the doubled speed, Telefonica's competitors risk losing significant client base to Telefonica if they don't. End Comment.

#### 17. TELEFONICA MOVILES CONTINUING TELEFONICA'S INCREASING INFLUENCE IN LATIN AMERICA

Telefonica Moviles will fully acquire Telefonica Movil Chile from Compania de Telecomunicaciones de Chile (CMT) for a little over 1 billion euros (1.22 billion dollars). Under management by Telefonica Moviles since 2000, with parent company Telefonica already holding a 43.6 percent share of CMT, analysts say that although the deal appears overpriced, consolidation makes "strategic sense."

ARGYROS